



## Legislative Bulletin.....September 18, 2007

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#### **H.R. 1852**—Amendments to the Expanding American Homeownership Act

H.R. 1852, the Expanding American Homeownership Act (sponsored by Rep. Maxine Waters, D-CA), is scheduled to be considered on the House floor on Tuesday, September 18, 2007, subject to a structured rule ([H.Res. 650](#)), self-executing (i.e. automatically passing) one amendment and making in order the following seven amendments, each debatable for 10 minutes, except where noted.

The rule waives all points of order against consideration of the bill, except those regarding PAYGO and earmarks, waives all points of order against the bill itself, and allows the Chair to postpone consideration of the legislation at any time during its consideration. The rule allows one motion to recommit with or without instructions.

Note: The summaries below are based on RSC staff's review of *actual amendment text*. For a summary of the underlying bill, see a separate RSC document released yesterday.

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### **SELF-EXECUTING AMENDMENT**

The self-executing amendment (i.e. the amendment that automatically passes when the rule itself passes):

- Directs the HUD Secretary to create underwriting standards for refinancing mortgages, with particular emphasis on insuring mortgages for borrowers who are in default or are at risk of default;
- Reduces from 2% to 1.5% the maximum origination fee that can be charged for insuring reverse mortgages, but allows this maximum rate to be increased based on certain determinations;
- Replaces the fixed \$75,000 amount of the surety bond for the alternative method of lender participation with a range of \$50,000 to \$100,000, to be determined by the HUD Secretary;
- Provides for cancellation of surety bonds;
- Explicitly prohibits the Secretary from requiring that any lender or broker participating in the surety bond program have any minimum net worth or certified financial statements;
- Increases from two years to four years the timeframe in which GAO must report on the pilot program for an automated process for providing alternative credit rating information for borrowers;

- Authorizes \$5 million for FY2008 for discount sales of multifamily properties;
- Sets a 60%-of-market-value floor for discount sales of multifamily properties in FY2011;
- Establishes civil penalties for improperly influencing FHA appraisals; and
- Makes several clarifying and technical changes.

Reportedly, this amendment eliminates the PAYGO violation (and point of order against the bill's consideration) that would have otherwise existed. A CBO cost estimate was not available at press time.

## **AMENDMENTS MADE IN ORDER**

**1. Tierney (D-MA):** Directs the HUD Secretary to provide mortgage insurance prepaid premium refunds to eligible borrowers of FHA insured loans that were closed prior to December 8, 2004 yet not endorsed until December 8, 2004 or after that date. Authorizes such sums as may be necessary for such refunds. The amendment sponsor's office notes that, "the Consolidated Appropriations Act of 2005 (P.L. 108-447) included a provision that altered the upfront mortgage insurance premium refund policy for Federal Housing Administration (FHA) insured loans. Specifically, the Act prevented eligible borrowers from receiving refunds of prepaid insurance if their mortgage was endorsed by the Department of Housing and Urban Development (HUD) on or after the date of the bill's enactment, which was December 8, 2004."

**2. Frank (D-MA)/ Miller, Gary (R-CA)/ Cardoza (D-CA):** **Further** increases the FHA single family loan limit by establishing such limit in each area as the lower of: 125% of the local median area home price or 175% of the national GSE conforming loan limit. Retains the FHA loan floor provision in the reported bill of 65% of the GSE conforming loan limit. Also gives HUD authority to raise these resulting loan limit amounts by up to \$100,000 by area and/or by unit size "if the Secretary determines that market conditions warrant." (no definition provided)

**NOTE:** Those Members concerned about the expansion of FHA lending authority in the underlying bill should be even more concerned about the further increases in the Frank-Miller-Cardoza amendment.

**3. Miller, Gary (R-CA):** Allows qualified down payment assistance providers to participate in the FHA program if certain conditions are satisfied (i.e. no obligation for mortgagor to repay and net worth requirement). The Secretary, for the purpose of determining eligibility for downpayment assistance, would have to consider as cash or its equivalent any amounts gifted by a family member, the mortgagor's employer or labor union, or a qualified homeownership assistance entity, but only if there is no obligation on the part of the mortgagor to repay the gift.

**4. Bishop, Tim (D-NY):** Clarifies requirements on reverse mortgages for seniors who own permanent foundation homes on leased land so that the HUD Secretary could set the minimum number of years an applicable lease could be effective beyond the life expectancy of the mortgagor.

**5. Hensarling (R-TX):** Strikes the allowable use of FHA savings for an affordable housing fund. The underlying bill authorizes appropriations, in the amount equal to the net increase in negative credit subsidy (i.e. excess FHA funds from premiums and fees charged under the mortgage insurance programs) created by this bill's provisions, for diversion to an affordable housing fund

(created by the GSE reform bill—H.R. 1427), for grants (via non-profits) to provide affordable rental housing and homeownership opportunities for low income families. NOTE: In current law, excess FHA funds—i.e. savings—are deposited in the U.S. Treasury as a benefit to taxpayers.

**NOTE**: Conservatives have opposed an affordable housing fund in the past because, since money is fungible, it would allow liberal activist groups, like ACORN and La Raza, that perform some housing-related activities, to use taxpayer dollars to indirectly subsidize their big-government, anti-conservative advocacy nationwide.

**6. Tiberi (R-OH)**: Requires the HUD Secretary to ensure that the mortgagor receives financial counseling at the time of application for a mortgage. In the underlying bill, the Secretary may, but is not required to, provide for such counseling at the time of application.

**7. Biggert (R-IL): Amendment in the Nature of a Substitute.** The substitute amendment would still allow FHA to base each borrower's mortgage insurance premiums on the risk that the borrower poses to the FHA Mortgage Insurance Fund. In the Biggert amendment, however, mortgage insurance premiums would be based on the borrower's credit history, loan-to-value ratio, debt-to-income ratio, and on FHA's historical experience with similar borrowers. Reserves would be required to be maintained within the mortgage insurance fund to preserve the future solvency of FHA.

The amendment does **not** include many of the underlying bill's controversial aspects for conservatives, including the affordable housing fund language, the loan limit increases in high-cost areas, the mandatory refunds for on-time payers, and the allowance of zero-downpayment loans to be insured. Yet the amendment **does** contain other provisions similar to the underlying bill that conservatives may find objectionable, including increases in FHA loan limits, and a five-year extension on mortgage terms. *(20 minutes)*